

MEMORANDUM

To: Members of the House Insurance Committee

From: Wendy Block, Michigan Chamber of Commerce; Dave Jessup and Scott Lyon, Small Business Association of Michigan; Andy Johnston, Grand Rapids Area Chamber; and Delaney McKinley, Michigan Manufacturers Association

Date: November 13, 2012

Subject: Michigan Health and Wellness Foundation (SB 1294)

As representatives of many of the state's job providers, who are the largest purchasers of healthcare coverage in the Michigan, we have reviewed Senate Bill 1294 as it was reported by the Senate. A primary concern for our respective membership and for our organizations is the rising cost of healthcare. To that end, the Grand Rapids Area Chamber, Michigan Chamber of Commerce, Michigan Manufacturers Association and Small Business Association of Michigan recommend the following modifications to Senate Bill 1294 (S-1), which we believe will result in the best use of available funds to ensure that affordable healthcare is available to Michiganders.

1. To impact the biggest driver of healthcare costs, early intervention in the health of the patient must be a priority (i.e., either before a disease is developed or immediately thereafter). This can be achieved by requiring the Foundation to strategically invest in programs that promote chronic disease prevention and management and medication adherence.

We recommend adding language that would require the Michigan Health and Wellness Foundation ("Foundation") to invest in projects that address and attack key health care cost drivers, with the goal of ultimately bending the health care cost curve for individuals and businesses alike.

Amend page 15, after line 4 by inserting **"(E) PROMOTE, THROUGH GRANTS TO PROGRAMS AND ENTITIES, THE INCREASED USE OF CHRONIC DISEASE PREVENTION AND MANAGEMENT AND MEDICATION ADHERENCE PROGRAMS."** and renumbering the remaining subdivisions.

Rationale: Nearly half (45 percent) of all Americans suffer from at least one chronic disease. More than two-thirds of all deaths are caused by one or more of five chronic diseases: heart disease, cancer, stroke, chronic obstructive pulmonary disease, and diabetes. According to the Centers for Disease Control and Prevention (CDC), chronic disease accounts for about 75 percent of the nation's aggregate health care spending - or about \$5,300 per person in the

U.S. each year. In taxpayer-funded programs, treatment of chronic disease constitutes an even larger proportion of spending - 96 cents per dollar for Medicare and 83 cents per dollar for Medicaid.

Poor adherence to medication treatment regimens is also a significant health care cost driver. Medication adherence is 50 to 65 percent for common chronic conditions such as hypertension and diabetes and non-adherence is costly, reaching \$100 billion per year for hospitalizations alone. Studies have shown that increased adherence posts a substantial return on investment; for example: 7:1 for diabetes, 5.1:1 for hyperlipidemia, 3.98:1 for hypertension; and a reduction in overall health care spending of 15 percent for patients with chronic heart failure.

2. In order to ensure the best use of Foundation funds, the governing Board must have appropriate flexibility on disbursement of funds for. For example, it is important to protect our seniors but we must also make sure that the Board will be able to respond to changes in the healthcare market and the population of individuals that are most in need of Medigap subsidization.

We recommend amending language in SB 1294 (S-1) to allow the Board to adapt to our changing healthcare environment.

Option 1: Amendment to give the Board flexibility on the amount disbursed: Amend page 16, line 11 by striking "**SHALL DISBURSE**" and inserting "**MAY DISBURSE UP TO**".

Option 2: Alternative amendment to give the Board flexibility to determine whether Medigap subsidies are an appropriate use of funds:

1. Amend page 16, line 3 by striking "**SHALL**" and inserting "**MAY**".
2. Amend page 16, line 11 by striking "**SHALL DISBURSE**" and inserting "**MAY DISBURSE UP TO**".

Rationale: Flexibility should be given to the Foundation Board to determine the appropriate allocation of funds. In addition to eligibility means testing, at the very least, allocation should be reflective of the number of applicants in a given year to these programs. Additionally, while we appreciate the Governor's priority to protect seniors under the legislation, we encourage you to continue to explore whether Medigap subsidies are an appropriate use of Foundation funds due to the availability of other comparable products in the marketplace for seniors (e.g., Medicare Advantage plans) and competing priorities for a limited amount of dollars.

3. In order to ensure the efficacy in the expenditure of Foundation funds and transparency in the disbursement process, we recommend that language be inserted to require the Foundation Board to tie fund disbursement decision making to measurable goals, report on

programming activities and expenditures and monitor and report progress using performance metrics.

Amendment:

1. Amend page 17, line 7 after **"EFFICIENCIES,"** by striking **"AS WELL AS"** and inserting **"PROGRAMS AND EXPENDITURES, AND"**.
2. Amend page 17, line 8 after **"ACTIVITIES."** and inserting **"BASED ON THE DEFINED, OUTCOMES-BASED METRICS ESTABLISHED BY THE BOARD."**
3. Amend page 16, after line 19 by inserting a new subsection **"ANY ORGANIZATION SEEKING TO RECEIVE FUNDS MUST FIRST SUBMIT A PROJECT PROPOSAL TO THE BOARD THAT INCLUDES DEFINABLE GOALS AND METRICS TO MEASURE PROGRESS TOWARD THAT GOAL. THE BOARD SHALL REVIEW AND REPORT ON THE SUCCESS OF THE PROGRAMS FUNDED BY FOUNDATION DISBURSEMENTS BASED ON GOALS AND OUTCOMES METRICS AND MEASUREMENTS."**

Rationale: This amendment is in-line with sound budgeting principles of tying spending to measured outcomes through the use of performance metrics and actively monitoring those metrics throughout the year. The proposed amendment requires the Board to define outcomes-based metrics for Foundation programs and expenditures and to actively monitor and report outcomes to the public and other interested parties on the Foundation's website.

4. The Health Insurance Claims Act (HICA) tax on paid claims has increased the cost of employer-sponsored health insurance by adding 1% to all paid claims. We believe that Michigan citizens will benefit through the reduction of healthcare costs. We recommend that language be added to SB 1294 (S-1) to require the Foundation to invest in projects that bend the health care cost curve for individuals and businesses alike by requiring the Fund to develop programs to offset costs incurred by consumers pursuant to the Health Insurance Claims Act.

Amendment:

1. Amend page 15, after line 8 by inserting **"(F) PROMOTE, THROUGH GRANTS TO PROGRAMS OR ENTITIES, THE OFFSET OF TAXES AND ASSESSMENTS LEVIED ON HEALTH INSURANCE PAID CLAIMS, INCLUDING TAXES ASSESSED PURSUANT TO THE HEALTH INSURANCE CLAIMS ACT, PUBLIC ACT 142 OF 2011, MCL 550.1731 to 550.1741."** and renumbering the remaining subdivisions.

Rationale: The Health Insurance Claims Act levies a one percent tax on all health insurance paid claims. The tax is levied on "carriers" for both fully insured and self-insured plans. Because the HICA tax increases the overall cost of health care, it presents a disincentive to employer sponsored health care. Additionally, since the HICA tax has been implemented, it has not collected the necessary amount for Michigan's Medicaid match. The health and wellness of the citizens of the state will be improved and public welfare will benefit through

a reduction in the cost of healthcare, restoring incentives for employer provision of health care and identifying a more stable source of funding for Michigan's Medicaid program.

5. To ensure the appropriate use of Foundation dollars, we must ensure that Board members are subject to strict conflict of interest requirements. While provisions on page 12 to address instances where a Board member may be employed by, under contract employment with, or received employment compensation from an entity applying for a grant, funding or program support from the Foundation. The legislation should require parties with a conflict to disclose the conflict, leave the room during the board's discussion and prohibit the conflicted board members from influencing the decision-making process (e.g., a board member with a conflict may not lobby other board members).

Thank you for your consideration of these important changes that we believe will positively impact the health and wellness of all Michigan citizens through the reduction of healthcare costs and the inclusion of structural mechanisms to ensure transparency and efficacy in Foundation fund disbursement.